

Message Text

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TAGS: EFIN, ENRG

SUBJECT: FOURTH COMMISSION ON MONETARY AFFAIRS

REF: SECTO 08039 (EXDIS)

FOR THE SECRETARY FROM ROBINSON.

USOECD PASS ASSISTANT SECRETARY ENDERS.

1. WHILE REFTTEL REFERS TO A FOURTH COMMISSION ON MONETARY AFFAIRS AS IF IT WERE ALREADY ESTABLISHED, AS YOU KNOW WE HAVE CONSISTENTLY OPPOSED THIS FOURTH COMMISSION. AS AN ALTERNATIVE WE HAVE AGREED TO THE FORMATION OF SUBCOMMISSIONS WITHIN EACH OF THE THREE MAIN COMMISSIONS IN ORDER TO MEET THE CONCERNS EXPRESSED BY THE SAUDIS. IF THIS POSITION IS BEING RECONSIDERED, I URGE THAT THE PRESIDENT

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TAKE INTO ACCOUNT THE FOLLOWING CONSIDERATIONS IN DECIDING

WHETHER OR NOT WE SHOULD GO ALONG WITH WHAT NOW APPEARS TO BE A NEW FRENCH AND GERMAN STAND:

A. A FOURTH COMMISSION WOULD TEND TO UNDERMINE THE ROLES OF THE IMF AND IBRD IN DEALING WITH MONETARY AFFAIRS. THESE FORA ARE MANAGED BY COMPACT EXPERT GROUPS WHERE VOTES ARE WEIGHTED APPROPRIATELY ACCORDING TO ECONOMIC CRITERIA.

B. IN A FOURTH COMMISSION, INDUSTRIALIZED IEA COUNTRIES WOULD NOT HAVE A WEIGHTED MAJORITY VOICE AS IN THE IMF AND IBRD. THIS WOULD THUS GIVE BOTH OPEC AND LDC COUNTRIES ADDITIONAL LEVERAGE IN BARGAINING FOR THEIR RESPECTIVE INTERESTS ON MONETARY AND FINANCIAL ISSUES.

C. WE HAVE TAKEN A FIRM POSITION IN THE IEA OPPOSING A FOURTH COMMISSION, AND THIS HAS BEEN ACCEPTED BY VIRTUALLY ALL IEA COUNTRIES. TO REVERSE OUR POSITION WOULD TEND TO UNDERCUT OUR LEADERSHIP ROLE IN THE IEA.

D. FINALLY, IN MY TALKS WITH THE IRANIANS, BRAZILIANS, SAUDIS, VENEZUELAN, FRENCH AND ALGERIANS, I HAD ACHIEVED AGREEMENT ON THREE COMMISSIONS ONLY FROM EVERYONE -- INCLUDING THE SAUDIS UNTIL APPARENTLY INFLUENCED BY THE FRENCH. IF WE CHANGE OUR POSITION ON THIS ISSUE WE WEAKEN OUR CREDIBILITY AND RISK UNRAVELING THE REST OF THE PACKAGE.

2. BASICALLY, I SEE THIS NEW POSITION OF THE FRENCH FOR A FOURTH COMMISSION AS A POLITICAL MANEUVER TO GET US TO A DISADVANTAGEOUS BARGAINING TABLE ON MONETARY REFORM. GISCARD SEES THE FRNC IN SERIOUS TROUBLE AND WANTS FIXED EXCHANGE RATES. THE NEW YORK TIMES REPORTED TODAY THAT GISCARD STATED THAT PRINCE FAHD TOLD HIM QUOTE THE ARABS WOULD NOT CONSIDER RAISING OIL PRICES THIS FALL IF THE DOLLAR WERE PEGGED TO A FIRM RATE UNQUOTE. THE TIMES ADDED QUOTE HE (GISCARD) WAS CONVINCED THAT OIL WOULD NOT HAVE GONE UP SO MUCH WERE IT NOT FOR THE FLOATING DOLLAR UNQUOTE. THE COINCIDENCE OF SAUDI AND FRENCH INTEREST IN PEGGING THE DOLLAR CREATES A POLITICAL SITUATION WHICH DEMANDS OUR MOST SERIOUS CONSIDERATION BEFORE WE REVERSE SECRET

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OUR PREVIOUS POSITION. AGREEING TO A FOURTH COMMISSION WILL OPEN THE DOOR TO SEVERE PRESSURE ON THE U.S. WHICH WE MAY FIND VERY DIFFICULT TO RESIST SINCE WE WILL BE THE TARGET OF DEMANDS OF THE LDCS, THE OPEC NATIONS AND AT LEAST SOME OF OUR INDUSTRIALIZED FRIENDS. WE SHOULD AVOID BEING MANEUVERED INTO THE POSITION WHERE WE WOULD BECOME SCAPEGOAT FOR THE CURRENT ECONOMIC ILLS THAT PLAGUE MOST WEST EUROPEAN GOVERNMENTS. INGERSOLL

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